

DOCKETED

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New Energy Nexus Comments - 21-TRAN-05 Block Grant

see attached document

Additional submitted attachment is included below.

February 9, 2022

Jonathan Bobadilla
Energy Commission Specialist
California Energy Commission
715 P Street Sacramento, CA 95814

Re: 21-TRAN-05 - New Energy Nexus Comments on Selection Criteria, Administrative Start-up Costs and Program Timeline to Ensure ZEV Manufacturing Block Grant Program Success

Dear Mr. Bobadilla:

New Energy Nexus(NEX), formerly known as California Clean Energy Fund (CalCEF), is a non-profit corporation whose mission is to support diverse entrepreneurs to drive innovation and build equity into the global clean energy economy. In California, NEX solicits, evaluates, awards, and manages sub-grants for CalSeed and vouchers for CalTestBed programs and was involved in these programs at the onset. NEX is also actively engaged with Lithium Valley stakeholders including conducting roundtables and in some instances 1:1 interviews with each stakeholder group from 2018 to 2021, and authoring a comprehensive white paper entitled *Building Lithium Valley*. This work informed the creation of the Lithium Valley Commission in 2020 and resulted in momentum and intermediate milestone achievements in support of the economic cluster formation.

Based on the above experience both developing and implementing similar programs to this block grant as well as insights from our battery supply chain development work in Lithium Valley, we offer the comments in the spirit of bringing lessons-learned to ensure ZEV Manufacturing Block Grant Program success.

We applaud the CEC for its vision for the program, specifically to increase:

- The likelihood that manufacturing activities will occur in-state either in terms of the entity's presence in California or at the scale that may not otherwise be achieved without the manufacturing grant;
- The number and quality of direct and indirect jobs created;
- Economic impact to the state;
- The projects contribution to California's zero-emission transportation goals;
- Diversity, Equity and Inclusion in the administration of such programs.

We respectfully provide comments in the following areas of program design:

1. Benefits and Opportunities / Costs and Downsides
2. Program Elements
3. Level and Structure of Program Administrative Costs
4. Selection Criteria and Scoring

Benefits and Opportunities / Costs and Downsides

CEC's Questions for stakeholders:

In considering a block grant approach for the funding of ZEV battery manufacturing projects,

- o What benefits or opportunities should we seek to maximize?*
- o What potential costs or downsides should we be wary of?*

NEX Comments:

Opportunity: Bridging the Gap

For any ZEV manufacturing block grant or supply chain program to succeed requires community collaboration and engagement. Technology is half the equation, wrap-around programming for community readiness and engagement is the other vital half. In our experience, to under-invest in community collaboration and engagement would be a strategic mistake.

In our observation, many community-based organizations are choosing to opt out of the considerable public investment that is becoming available, in large part due to their inability and frustration in navigating these funding opportunities aimed at “building back better” but with business as usual frameworks and program design. There is an almost machine-like quality required to efficiently and effectively apply for and qualify for these funds that is deeply problematic. Our anemic civic infrastructure means that those that are already in positions of power and who have access to resources are the ones that are able to organize most competitively for these funds. **We encourage the California Energy Commission to consider program design elements aimed at bridging this gap.**

In Lithium Valley for example, funds are required to build that connective tissue and alignment between cross sector stakeholders all driving toward the vision of shared prosperity and to build capacity specifically for labor and community. To do this work authentically and effectively, the grant programs need to partner with local organizations that already have the trusted relationships and close ties to community but don't necessarily have incumbents' access to key industry and government leaders. A

Public-Private Community Partnership model is needed, with a primary investment building local capacities specifically for labor and community. This is more than program “outreach” - and should be a stand-alone line-item in any technology program with goals of diversity, equity and inclusion and workforce development.

Ensuring that communities have the capacity and readiness to participate in the planning and development of battery manufacturing near resources (as in Lithium Valley) is critical to its success. At minimum, **we urge the CEC to consider and set aside a portion of program funds for place-based capacity building and economic development**, particularly in regions critical to the ZEV supply chain.

Program Elements

CEC’s Questions for stakeholders:

- o Are there additional outreach or website elements CEC should require?*
- o Project eligibility will be determined by the CEC and block grant implementer after the block grant is executed. However, are there any ZEV battery manufacturing-related project types we should be mindful of now, as we prepare our block grant solicitation?*
- o Are there other activities we should expect from a block grant implementer?*

NEX Comments:

In the CEC’s proposed program design, the above community readiness work is both considered part of “outreach” and is also bundled with administrative costs.

The present definition of the proposed “administrative budget” is “*all costs incurred under the agreement, except for funds disbursed to eligible third parties as ZEV battery manufacturing grants*”

To the extent that the CEC intends the block grant administrator to conduct outreach, and the program requires additional wrap-around programming to be successful, **the program budget must, by necessity, include enough funding for these important activities.**

Even without the community wrap-around programming the proposed outreach component is ambitious market development—and well beyond the simple administration of a technology block grant. Program elements include: engaging with low-income and disadvantaged communities in rural areas of the state, developing and conducting outreach and advertisement plans, determining the type of outreach and materials,

attending industry and community events, planning, hosting/attending, and conducting workshops.

To "build back better" requires new approaches to advancing equity, and that will necessitate program investment and new program design. The CEC is already aware of some of the wrap-around programming, metrics, and performance enhancements that NEX has built into the administration of CalSEED and Caltestbed and the resulting social impact.

To deliver these programs successfully, we recommend the following:

- (1) **Community Readiness Investment be considered a program element separate from "administrative costs" or "program outreach";**
- (2) **Program Outreach to Block Grant Recipients (independent of community readiness) be separated from "administrative costs".**
- (3) Due to the innovative nature of this program, **Consider allowing "responsive iterative program design" throughout the administration of the block grant, including a mechanism and flexibility to rebudget in a timely manner.**

Level and Structure of Program Administrative Costs

CEC's Questions for stakeholders:

Is a 7 percent cap on administrative costs sufficient to implement block grant projects?

If not, what level is sufficient and justified?

Are there items that should be separated from administrative costs?

Should CEC provide funding for one-time, initial set up costs in lieu of an overall percentage?

Should administrative costs be divided into fixed costs and proportional costs?

NEX Comments:

Administrative cost adjustments should be considered—both in level and structure

Currently the CEC proposed 7% of the program budget. Over 3 years, this works out to be \$583K/year for an ambitious set of deliverables that will require staffing, systems and administrative support functions.

Notwithstanding our comments in the Program Elements section above, and just focused on program administration requirements suggested by the CEC , **a seven percent**

Administrative Costs Cap is insufficient for a new block grant program, especially one of this complexity.

The following activities should be included in administrative costs:

- Develop and Host Website (and associated back-end data activities.)
- Develop Project Selection Process
- Funding Implementation and ability to scale, including mechanisms for third party funding
- Data Collection and Reporting - including Preparing and submitting a final report for each project.
- Other supporting administrative functions.

Of these, initial one time development costs could be broken out for the website, back end systems/functionality. Ongoing costs would include the requirements to update and maintain these systems.

In our experience, based on staffing and budgets for similarly-sized programs, and *assuming outreach and community readiness engagement are removed from “administration”*, a more realistic administrative number would be approximately **10%**. If those outreach and engagement activities must be included in “administration”, the number would be closer to **16%**.

Should CEC provide funding for one-time, initial set up costs in lieu of an overall percentage?

The reality of starting a block grant program is that there are **both initial and ongoing costs**. If the CEC chooses to separate initial costs from ongoing program administrative costs, assuming the initial costs are sufficient for setup, this annual ongoing program administrative numbers stated above could be reduced another 2%.

In practical implementation, the actual program costs are more driven by the infrastructure and staff required to set up and maintain the program, and the number of grants and participants, more than by the size of the fund.

Selection Criteria and Scoring

CEC’s Questions for stakeholders:

Is there anything missing from the proposed scoring criteria that should be incorporated?

*Are the scoring criteria weighted appropriately?
Is the solicitation timeline realistic, or is it too fast or too slow?*

The CEC has rightly noted that, to ensure success, a successful manufacturing-related block grant administrator must bring experience developing and implementing multiple, smaller awards and working with evaluation teams and other stakeholders and expertise in the in-state battery manufacturing and supply chain, Battery technologies and advancements, as well as Lithium Valley-related opportunities.

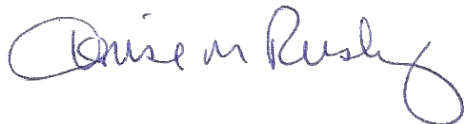
In general, we support the selection criteria and the relative weights, but **we recommend adding one specific scoring criteria: Community readiness (engagement, collaboration and stakeholder development) experience**, specifically experience applicable to work in the communities that are critical to California's ZEV supply chain. (e.g. Lithium Valley)

Conclusion

The CEC's ZEV Manufacturing Block Grant Program has the potential to provide significant economic growth and high quality jobs for California, especially if accompanied by substantial investment in community capacities including workforce development. It presents a tremendous opportunity to secure the ZEV supply chain and spur place-based economic development while also growing California's leadership in zero-emission vehicle manufacturing.

Thank you for the opportunity to comment.

Respectfully submitted,

A handwritten signature in blue ink that reads "Denise Rushing".

Denise Rushing
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